
MTU Aero Engines starts 2018 with increased revenues and earnings

- **Year-end targets confirmed**

Munich, May 3, 2018 – MTU Aero Engines AG generated revenues of €1,016.4 million in the first quarter of 2018, an increase of 5% compared with the same period of the previous year (1-3/2017: €971.9 million). The group's operating profit¹ rose by 11% from €157.9 million to €175.1 million, pushing up the EBIT margin from 16.2% to 17.2%. Earnings after tax² increased in line with operating profit, growing by 10% from €111.7 million in the first quarter of 2017 to €123.3 million. MTU applied the international financial reporting standard IFRS 15 for the first time in its financial statements for the first quarter of 2018.

“We managed to have a good start to the year,” said MTU Aero Engines AG CEO Reiner Winkler. “These results show that we are well on the way to achieving our year-end targets, which we confirm today.”

The highest first-quarter revenue growth rate was reported by MTU's commercial engine business, where revenues increased by 11% to €335.9 million (1-3/2017: €303.9 million). The engines that generated the greatest share of these revenues were the V2500 for the A320 and the GENx for the Boeing 787 and 747-8.

Revenues in the commercial maintenance business increased by 5% to €618.2 million (1-3/2017: €588.4 million). “This reflects exchange-rate effects,” commented CFO Peter Kameritsch. “In U.S.-dollar terms, these revenues increased by 20%, thus demonstrating the continuing strong demand for our MRO services.” The main source of revenues in the commercial maintenance business was the V2500.

Revenues in the military engine business amounted to €91.3 million, which is 10% lower than first-quarter revenues in 2017 (€101.0 million). The EJ200 Eurofighter engine was the main revenue driver. “Over the full year, we expect revenues in the military business to remain stable,” said Kameritsch.

Regarding the impact of IFRS 15, Kameritsch commented: “The most significant changes resulting from the first-time application of IFRS 15 concern revenues in the OEM segment. In the commercial engine business, it has affected the way we account for payments to customers – for example price concessions. In the military business, the changes mainly concern the point in time at which revenues are realized.” The first-time application of IFRS 15 has had no significant impact on the commercial maintenance business. The requirements of the new standard and its implications for MTU with regard

¹ EBIT adjusted = Earnings before interest and tax, calculated on a comparable basis

² Net income adjusted = Earnings after tax, calculated on a comparable basis



to the group's financial reporting practices are presented on pages 172 to 174 of the 2017 Annual Report. MTU has elected to use the full retrospective method when applying IFRS 15 for the first time. Comparative information presented for the prior period has thus been adjusted accordingly.

MTU's order backlog amounted to €15.3 billion at the end of March 2018, a new record level (December 31, 2017: €14.9 billion). Most of these orders relate to the V2500 and to the Geared Turbofan™ engines of the PW1000G family, foremost among them the PW1100G-JM for the A320neo. And, as Winkler added, "the current figures don't yet include the latest major contracts, such as the order placed by Delta Air Lines for GTF engines to equip its fleet of 100 A321neo jetliners."

In MTU's OEM operating segment, first-quarter earnings increased by 17% to €123.4 million (1-3/2017: €105.3 million), while the EBIT margin rose by 2.9 percentage points from 26.0% to 28.9%. "This improved operating margin is partly the result of our business mix and partly due to our hedging against exchange-rate fluctuations," Kameritsch explained. Earnings in the commercial maintenance business, at €51.5 million, remained stable (1-3/2017: €52.1 million). The EBIT margin amounted to 8.3%, compared with 8.9% in the first quarter of 2017.

Research and development expenditure in the first three months of 2018 amounted to €53.1 million (1-3/2017: €56.1 million). The focal areas of MTU's R&D activities were current and future Geared Turbofan™ programs, the GE9X for the Boeing 777X long-haul airliner and technology studies for future generations of aircraft engines.

In the first quarter of 2018, MTU's free cash flow increased by 37% to €83.3 million (1-3/2017: €61.0 million).

MTU's capital expenditure on property, plant and equipment in the first quarter of 2018 amounted to €34.5 million, compared with €18.9 million in the first three months of 2017.

At March 31, 2018, the MTU workforce numbered 9,036 (December 31, 2017: 8,846 employees). "We will need more people to handle our growing business and intend to recruit some 500 additional employees in 2018 to increase capacity," said Winkler.

MTU has maintained its full-year forecasts for 2018. The strongest increase is expected in the commercial series production business, with organic growth of around 30%. MTU also expects to see growth in its commercial MRO and spare parts business. Revenues in the commercial maintenance business, expressed in U.S. dollars, are forecast to increase by a percentage in the high teens, and revenues from spare parts by a mid-single-digit percentage. Revenues from the military engine business are expected to remain on the same level as in 2017. MTU foresees moderate growth in earn-



ings, despite the massive increase in low-yield series production activities (EBIT adjusted 2017: €576.4 million). The group's net income is expected to increase in line with EBIT adjusted (net income adjusted 2017: €407.7 million). The cash conversion rate, defined as the ratio between free cash flow and net income adjusted, is projected to be slightly higher in 2018 than in the previous year (2017: 37%), with a percentage in the low- to mid-double-digit range.

MTU Aero Engines – Key financial data for January through March 2018

(Figures stated in € million, calculated on a comparable basis. *First-time application of IFRS 15*)

| MTU Aero Engines | March 31, 2017 | March 31, 2018 | Change |
|---|----------------------|-----------------------|-----------------|
| Revenues | 971.9 | 1,016.4 | + 4.6 % |
| of which OEM business | 404.9 | 427.2 | + 5.5 % |
| of which commercial engine business | 303.9 | 335.9 | + 10.6 % |
| of which military engine business | 101.0 | 91.3 | - 9.7 % |
| of which commercial maintenance | 588.4 | 618.2 | + 5.1 % |
| EBIT (adjusted) | 157.9 | 175.1 | + 10.9 % |
| of which OEM business | 105.3 | 123.4 | + 17.2 % |
| of which commercial maintenance | 52.1 | 51.5 | - 1.2 % |
| <i>EBIT margin (adjusted)</i> | <i>16.2 %</i> | <i>17.2 %</i> | |
| <i>for OEM business</i> | <i>26.0 %</i> | <i>28.9 %</i> | |
| <i>for commercial maintenance</i> | <i>8.9 %</i> | <i>8.3 %</i> | |
| Net income (adjusted) | 111.7 | 123.3 | + 10.4 % |
| Net income (reported) | 105.0 | 106.2 | + 1.1 % |
| Earnings per share (undiluted, reported) | 2.03 | 2.04 | + 0.5 % |
| Free cash flow | 61.0 | 83.3 | + 36.6 % |
| Research and development expenses | 56.1 | 53.1 | - 5.3 % |
| of which company-funded | 44.9 | 47.3 | + 5.3 % |
| of which outside-funded | 11.2 | 5.8 | - 48.2 % |
| <i>Company-funded R&D expenditure</i> | <i>9.8</i> | <i>13.3</i> | <i>+ 35.7 %</i> |
| Investment in property, plant and equipment (net) | 18.9 | 34.5 | + 82.5 % |
| | | | |
| | Dec. 31, 2017 | March 31, 2018 | Change |
| Balance sheet key figures | | | |
| Intangible assets | 1,079.0 | 1,087.9 | + 0.8 % |
| Cash and cash equivalents | 106.1 | 77.7 | - 26.8 % |
| Pension provisions | 870.7 | 872.9 | + 0.3 % |
| Equity | 1,870.1 | 1,981.0 | + 5.9 % |
| Net financial debt | 827.0 | 747.8 | - 9.6 % |
| Total assets and liabilities | 6,004.1 | 6,108.3 | + 1.7 % |
| Order backlog | 14,893.0 | 15,271.5 | + 2.5 % |
| Employees | 8,846 | 9,036 | + 2.1 % |



About MTU Aero Engines

MTU Aero Engines AG is Germany's leading engine manufacturer, with core competencies in low-pressure turbines, high-pressure compressors, turbine center frames, manufacturing processes and repair techniques. MTU plays a key role in the new engine market through its partnership in many international development, manufacturing and sales programs, to which it contributes its high-tech components. One third of the global fleet of passenger airliners relies on components supplied by MTU. MTU is one of the world's top 5 providers of maintenance services for commercial aircraft engines and industrial gas turbines. These activities are combined under the roof of MTU Maintenance. In the military sector, MTU Aero Engines is the lead industrial partner for almost every type of engine flown by the German armed forces. MTU operates affiliates around the globe; its corporate headquarters are based in Munich, Germany.

Geared Turbofan is a trademark application of Pratt & Whitney.

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